

**City of Columbus**  
**Department of Development, Housing Division**  
**Vacant Property Redevelopment (VPR) Program**  
**Redevelopment for Homeownership/Lease-Purchase Guidelines**

**CAPITAL BOND FUNDS**

**Purpose:** To redevelop residential homes and residential properties either for sale as homeownership opportunities or for short term lease purchase (up to 36 months). The program provides development and affordability gap financing based on need but not to exceed a total of \$60,000.00. The funding is provided in the form of a grant. The City may consider larger gap financing amounts only if there are extraordinary circumstances and other financing sources cannot address the full gap. This provides an incentive for non-profit or for-profit developers and/or builders to rehabilitate or construct quality homes available for sale at an affordable price for qualified homebuyers.

Organizations receiving Community Development Housing Organization (CHDO) Operating Funds from the Community Development Collaborative of Greater Columbus will receive priority.

The City receives funds from the Columbus City Council in the Capital Improvements Budget.

The Developer will serve as the property owner in all homeownership or lease/purchase projects. The Developer will be required to sign the City of Columbus' developer agreements and will be subject to the terms set forth therein.

**The general guidelines for the program are as follows:**

**I. Geographic Information**

- Bond funded projects must be located within the city of Columbus and priority will be given to projects located in the City of Columbus' Neighborhood Investment Districts (NIDs) and Community Reinvestment Areas (CRAs).
- Additional information is available regarding NIDs and CRAs at <http://www.columbus.gov/housingdivision/residentialtaxincentives>.

**II. Eligible Property**

Any residential structure or lot within the geographic boundaries of the identified funding source that is:

- Vacant
- Single-family dwelling, which will serve as the principle residence of the prospective homeowner (including double conversions into single family dwellings).

Priority will be given to developers who take control of the site(s) from the Land Bank- <http://columbus.gov/landredevelopmentoffice/>. Applicant must submit an application to the Land Bank prior to applying for funding from the Housing Division to ensure site control.

**III. Eligible Costs and Activities**

- A. Acquisition/Rehabilitation and soft costs.
- B. New Construction with acquisition and soft costs.
- C. Rehabilitation or New construction for the purpose of sale thru lease with the option to purchase.

- D. Affordability subsidy financing for homebuyer.
- E. Eligible costs include, but are not limited to, the following:
  - a. Site acquisition
  - b. Credit reports
  - c. Title reports and updates
  - d. Recordation fees
  - e. Preparation and filing legal documents
  - f. Appraisal
  - g. Attorney fees
  - h. Loan processing fees
  - i. Architectural fees
  - j. Engineering fees
  - k. Preparation of work write-ups/cost estimates
  - l. Developer fee not to exceed 5% of acquisition cost(s) and 15% of other costs.
    - i. Developer Fee will not be adjusted based on change orders or additional costs after agreement has been executed.
    - ii. If affordability subsidy exceeds the allowed amount (up to \$20,000 of the available \$60,000 in gap financing), the developer may elect to reduce its developer fee as described above dollar for dollar for the additional affordability subsidy provided.

Funds will be disbursed as a percentage of the construction costs. Receipts and documentation must be provided to verify costs. Lien Waivers may be required.  
**Construction must begin 90 days from the date of the developer agreement's signing.**

#### IV. Eligible Applicants

- A. Non-profit and for-profit organizations are eligible to apply including Community Housing Development Organizations (CHDOs). A non-profit certified as a CHDO can develop anywhere within their established boundaries.
  - ***The City will also evaluate a development organization's proven track record of completing, financing and selling its proposed product.***

#### V. Eligible Homebuyers

- A. A homebuyer who is pre-approved for a mortgage must be presented at the time of application for funding. An estimated affordability need will be determined at that time.
- B. Potential homebuyers are eligible to receive up to \$20,000 in affordability assistance out of the available \$60,000. Additional affordability may be provided from outside sources or the reduction of the developer fee as described in Section III above.
- C. For Bond funded projects, there is no income restriction for households. **Qualifying ratios:** Total housing expense (PITI) should not exceed 35 percent of household income and total debt service must not exceed 45 percent of the total monthly household income. Buy downs must be for the full term of the loan and financing must be **fixed rate only**. The City may consider higher ratios if the homebuyer can demonstrate to the City's satisfaction that the total mortgage payment will be able to be met.

- D. **The buyer must have at least \$500.00 of their own saved funds exclusive of loans, credits or gift funds to contribute as equity.**
- E. **Mandatory 8 hours** of Homebuyer Education completed through a City of Columbus Certified Housing Counseling agency.

## **VI. Financing Guidelines**

Financing may be a combination of Development Subsidy and/or Affordability Subsidy up to \$60,000. The City may consider larger subsidy financing amounts if the applicant can demonstrate financial need based on construction costs, appraisal values, and/or buyer affordability need. A minimum of \$1,000.00 in affordability gap subsidy is required as part of the project structure when there is a funding request for development subsidy. The City's preference is that the total subsidy does not exceed 221(d)(3) limits as established by HUD. Either type of subsidy can be used in the sale or lease purchase of a home.

- A. **Development Subsidy** is the difference between the development cost of the unit and the appraised value of the unit after construction or rehabilitation. The actual amount of subsidy is determined at the point of sale.
- B. **Affordability Subsidy** is the difference between the sales price of the home and the homebuyer's lender approved amount for a permanent mortgage. A licensed appraiser must determine the amount of the sales price. Subsidy may also include down payment assistance and/or closing costs assistance.
- C. **Developer/Builder Forgivable Loans for Construction Financing**
  - 1. **Maximum Developer Loan Limits:** up to \$60,000 per unit may be loaned for the purpose of Development and Affordability subsidies. The City may consider larger gap financing amounts only if there are extraordinary circumstances and other financing sources cannot address the full gap and if the applicant can demonstrate financial need based on construction costs, appraisal values, and/or buyer affordability needs.
  - 2. **Construction Term:** up to 24 months. Extensions are available upon request and will be considered on a case by case basis.
  - 3. **Bond funded projects do not have income restrictions for households. However, the City may elect to impose income restrictions if the circumstances are appropriate.**
- D. **Qualified Homebuyer Forgivable Loans**
  - 1. **Maximum Homebuyer Assistance:** up to \$20,000 out of the available \$60,000 in gap financing. If affordability subsidy exceeds the allowed amount (up to \$20,000 of the available \$60,000 in gap financing), the developer may elect to reduce its developer fee as described above dollar for dollar for the additional affordability subsidy provided.
  - 2. The City will consider, on a case by case basis, waivers to increase affordability and the addition of other types of City funds including the American Dream Downpayment Initiative (ADDI). <http://columbus.gov/housingdivision/ADDI/>

3. Grant Term and Affordability Period: 5 years
4. The Restrictive Covenant will be released if the end buyer resides in the unit until the expiration of the affordability period.
5. Interest Rate: Zero percent (0) % per annum.

E. **Funding Review Committee**

All projects will be reviewed by the Funding Review Committee (FRC). This committee is made up of City staff and will make recommendations on all projects requesting City funding. The FRC will make a final recommendation as to whether or not to give final approval for the project to proceed and the City to enter into a Development Agreement with said developer. If after initial review, it is the determination of the City of Columbus that the project is not viable, the developer will be notified in writing.

**VIII. Restrictive Covenant**

- All eligible homebuyers are to be informed that a Restrictive Covenant must be executed by the Developer for an affordability period of 5 (five) years.
- The Restrictive Covenant is an agreement between the homeowner and the Developer that states that the homeowner will use the home as their primary residence for the full term of the affordability period.
- The Restrictive Covenant will include a recapture amount based on the affordability assistance received by the homeowner. If no affordability assistance is received, the recapture amount will be 10% of the total committed amount up to \$10,000 (Ten Thousand Dollars) to the Developer.
- If the initial homeowner ceases to occupy the property as an owner occupant during the affordability period, they must notify the Developer to discuss release of the Restrictive Covenant.

**IX. Additional Obligations for Funds**

- A. **Relocation Review:** Applicant must obtain a Notice of Acquisition, Seller/Owner's acknowledgement of Fair Market Value, and the Seller/Owner's Certification of No Displacement prior to closing.
- B. **Historic Review:** Clearance from the City of Columbus Historic Review Officer. The redevelopment must comply with Section 106 standards set by the Secretary of the Interior.
- C. **Environmental Review:** Provide Phase I Environmental Site Assessment when applicable. The project must receive Environmental Review clearance as defined by the National Environmental Policy Act that includes a Historic Preservation Review.
- D. **Homebuyer Education** must be provided through a City of Columbus Certified Housing Counseling agency, which includes:
  1. Face to face counseling before the purchase of the property;
  2. 8 hour class
  3. Assisting buyers in identifying the most suitable and affordable properties;

4. Providing homebuyers with financial management assistance;
5. Assisting homebuyers in understanding mortgage transactions and home sales contracts;
6. Assisting homebuyers with eliminating any credit problems that may prevent them from purchasing the property; and
7. Home maintenance training.

***A certificate of completion of the homebuyer education program must be submitted to the City prior to approval and expires one year from the date course was completed.***

**E. Lead-based Paint Hazards**

Work on properties for rehabilitation that were built before 1978 must comply with Title X rules and regulations, as well as applicable state lead paint law. The cost and scope of rehabilitation work determines what inspections and interventions will be required.

- F. Applicants must present their design plans to the area commission or civic association serving the neighborhood where the home(s) are located. Please notify the City when you are scheduled to present and provide documentation from the area commission or civic association.
- G. Specifications and plans must meet the Accessible Water Conservation Air Quality Resource Conscious Energy Efficient (AWARE) manual and be approved by City of Columbus Housing Division staff. Waivers are considered. <http://columbus.gov/housingdivision/housingoverview/>
- H. Developer will provide a third party cost estimate at the time of application submission to ensure the chosen contractor's bid is within 15%.
- I. A market assessment is required to be submitted at the time of application submission; a purchase contract is able to be submitted in lieu of the market assessment.
- J. The Developer will use its best efforts to afford minority and female owned business enterprises the maximum practicable opportunity to participate in the performance of this Agreement. As used in this Agreement, the term "minority and female owned business enterprise" means a business at least fifty-one percent owned and controlled by "minority group members" who are Women, African-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans or American Indians. Developer may rely on written representations regarding their status as minority and female subcontractors in lieu of an independent investigation.

**X. Process**

- A. Applicant will complete a program application that describes the requested scope of work and provides complete information on the current operations, occupancy and financial information on the project. Refer to the Funding

Application Instruction Sheet for the VPR program for additional information related to the application process.

- B. Applications will be reviewed and open issues clarified. A housing rehabilitation technician will conduct a site visit to review the proposed scope of work.
- C. The scope of work will be reviewed with the Applicant. City staff and the Applicant will agree on the scope of work.
- D. Funding request is submitted to the Funding Review Committee to review and recommend approval or denial.
- E. If necessary, the funding request will be approved by Columbus City Council.
- F. An agreement will be signed by the City and the Applicant. The Contractor will pull permits and begin work after a pre-construction conference is held.
- G. Contractor invoices must be approved by the Applicant and the Housing Division staff. Progress payment schedule will be established as part of the agreement and payment will be made directly to the Applicant.
- H. Upon completion, the City will sign off that it is satisfied with the work as a condition to final payment.
- I. The Applicant will sell or lease the unit within nine months of completion to a qualified homebuyer. The buyer must be approved by Development Department Housing Division staff. If needed, an extension request may be submitted to the City if the home remains unsold after nine months.

**THESE GUIDELINES OUTLINE THE BASIC FUNDING REQUIREMENTS FOR THIS PROGRAM AND ARE NOT MEANT TO BE ALL-INCLUSIVE**

**The City of Columbus is an Equal Opportunity Lender**

Please contact Randi Arnett at (614) 645-7277 or [RLArnett@Columbus.gov](mailto:RLArnett@Columbus.gov) for more information.

Visit the Housing Division website for more information:

<http://columbus.gov/housingdivision/vpr>

**The funds for this program are limited.  
As such, they will be available on a first-come, first serve basis  
based on submission of eligible projects.**